

SECRET

15 October 1981

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: Hans Heymann, Jr.
NIO At Large

SUBJECT: Background of NSC Meeting, 16 October 1981

1. According to the NSC staff, tomorrow's NSC meeting on East-West issues was precipitated by this morning's George Will column on "Turning the Trade Weapon Against Ourselves." ~~(See Tab A)~~ Meese asked that a meeting be organized around the East-West topics raised by the Will column -- to include the pipeline issue, grain, and East-West relations generally. (Attached)

2. On the pipeline issue, State has been tasked by the last SIG meeting to produce an integrated U.S. strategy paper on how to approach the Europeans. That paper is still grossly inadequate in draft and is in no way ready for discussion. NFAC, in the meantime, has produced two background papers (on European demand for gas and on the ☐ compressor transfer) that you asked for. ~~(these are at Tabs B and C)~~ 25X1

3. Since George Will critically raised the International Harvester combined sale, I am attaching a memo NFAC prepared at my request that examines the risks involved in that transfer. It concludes that the proposed sale would not provide the Soviet Union with any sensitive technology. ~~(See Tab D)~~

4. There is as yet considerable confusion in the policy Community about the issues to be discussed at this meeting. The NSC staff believes that this will become apparent tomorrow morning and the meeting is likely to be postponed.

Hans Heymann, Jr.

SECRET

George F. Will

Turning the Trade Weapon Against Ourselves

One year ago Ronald Reagan was preparing for his debate with President Carter. Today the Reagan administration seems to be debating itself. The proposed sale of AWACS aircraft to Saudi Arabia has catalyzed criticism of the administration's conduct of foreign policy, and especially its internal rivalries. But the administration's purposes and reputation are even more threatened by its policy, or non-policy, concerning trade with the Soviet Union.

The AWACS affair illustrates the creativity in the administration's policy process and misjudgment about institutional relations. The policy regarding trade with the Soviet Union is more injurious because it suggests intellectual laxness and policy confusion. Since 1917, communist agriculture has produced bad harvests because of 64 consecutive years of unusually wet or dry (or both) weather. Now the Soviet Union has had three especially bad harvests. In the 1970s, the huge Soviet grain purchases—"the great grain robbery"—followed just two especially bad harvests. Today the Soviet Union is desperate, and American economic interests, with administration collaboration, are rushing to

The Agriculture Department is just the agency whose behavior mocks the president's advocacy of prudent restraints on trade with the enemy. Many representatives of corporate America, with the aid of the Commerce and State Departments, are countless advocates of selling computers, microcircuitry, sensors, engine and gas and oil technology.

At the Ottawa summit, the president expressed strong misgivings about con-

struction of a Soviet Union-to-Western Europe gas pipeline, a potential instrument of economic dependency and political "Finlandization." But just days after the summit, the Commerce Department, almost certainly with the approval of senior White House aides, authorized the sale of pipe-laying equipment, ostensibly for other projects. (It will be fascinating to see how that "restriction" is enforced.) The equipment is made in Peoria,

and Illinois politicians are pressing for permission for more sales. But they probably are pushing on an open door. And they are pushing for another transaction. As International Harvester, another Illinois corporation, suffers economic reverses, it is proposing to sell (for considerably more than \$200 million) all its technical competence—what is called "process know-how"—to the Soviet Union. Last year International Harvester sold a total of 12,000 combines. The facilities it would help the Soviet Union build would produce 30,000 combines a year. The Com-

merce Department, which seems to think its mission is to ease the strains imposed on the Soviet economy by Soviet militarism, was recently set to approve the deal.

Fortunately, a few members of the administration are alert to dangers more grave than the danger that a corporation may miss a sale. They also know it is a common Soviet practice to use farm machinery plants to produce weapons. They have found incontrovertible evidence that the industrial complex that the International Harvester plant would join, far from being benign, produces weapons and weapons-related products.

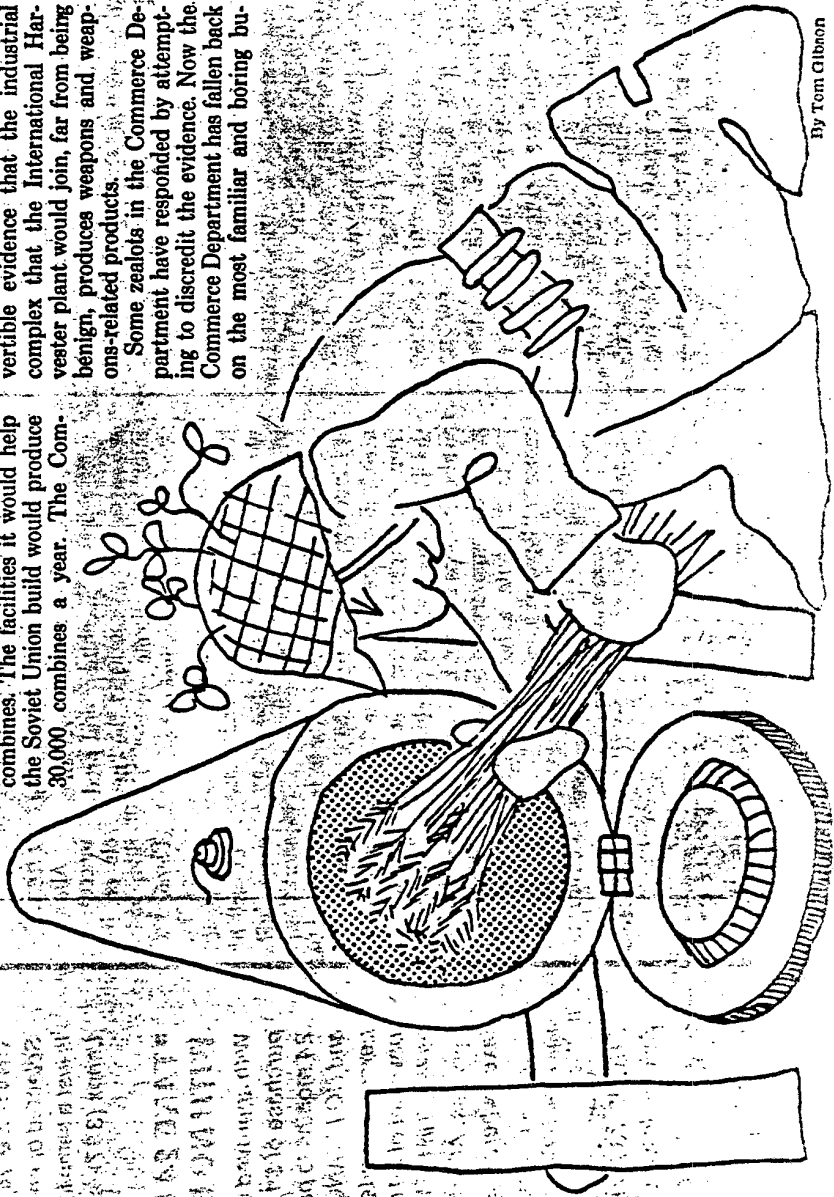
Some zealots in the Commerce Department have responded by attempting to discredit the evidence. Now the Commerce Department has fallen back on the most familiar and boring bu-

reaucratic ploy: it has suggested "restrictions" that will not really restrict. That is, it has suggested proscribing activities that are not proposed.

The administration is in danger of being dismissed as a blusterer. Speaking about the destabilization of Central America, Secretary of State Alexander Haig pledged to deal with the problem "at the source," meaning Cuba. But Castro may have nothing to fear but the price of hotel rooms in Paris, where he may be heading for a visit. Far from being isolated, he may be prospering in the face of administration rhetoric, just as the Soviet Union is prospering from trade that is unimpeded by the administration's rhetorical anti-communism.

Many serious people who serve at the highest levels of government are frequently dismayed by the thinness of the information upon which unserious people are content to rest important government decisions. But the problem with the president's foreign policy, especially regarding trade, is not the result of a lack of information. The problem is a lack of definition.

To govern is to choose, and, regarding trade, perhaps the president has not chosen, or has not made his choice known and effective. He must choose between abetting a dangerous and venal pursuit of profit, and his professed foreign policy values and goals. Surely the president should be troubled by the intellectual incoherence and political fecklessness of asking American taxpayers to provide more than \$1 trillion for increased defense, while corporate America is making money by strengthening the military capacity of the nation against which we need to be defended.



by Tom Gibson